

HOUSE BILL REPORT

HB 1407

As Passed House:

March 7, 2005

Title: An act relating to providing an expiration date for the tax deduction for certain businesses impacted by the ban on American beef products.

Brief Description: Providing an expiration date for the tax deduction for certain businesses impacted by the ban on American beef products.

Sponsors: By Representatives Grant, Walsh, Linville, Buri and Morrell.

Brief History:

Committee Activity:

Finance: 2/2/05, 2/23/05 [DP].

Floor Activity:

Passed House: 3/7/05, 96-0.

Brief Summary of Bill

- Ends business and occupation tax deduction for the slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle on December 31, 2007.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives McIntire, Chair; Hunter, Vice Chair; Orcutt, Ranking Minority Member; Roach, Assistant Ranking Minority Member; Ahern, Conway, Ericksen, Hasegawa and Santos.

Staff: Rick Peterson (786-7150).

Background:

Washington's major business tax is the business and occupation (B&O) tax. The B&O tax is imposed on the gross receipts of business activities conducted within the state, without any deduction for the costs of doing business. The tax is imposed on the gross receipts from all business activities conducted within the state. Although there are several different rates, the most common rates are 0.471 percent for retailing, 0.484 percent for wholesaling, and 1.5 percent for service activity. Businesses that are involved in more than one kind of business activity are required to segregate their income and report under the appropriate tax classification based on the nature of the specific activity.

The slaughtering, breaking, processing, and wholesaling of perishable meat products is taxable at a rate of 0.138 percent when the product is sold at wholesale only and not at retail.

On December 23, 2003, a Washington cow that had been imported from Canada tested positive for Bovine Spongiform Encephalopathy (BSE). On December 24, 2003, Japan, Mexico, the Republic of Korea, and many other nations banned imports of U.S. beef. Before these bans, over 80 percent of U.S. beef exports went to Japan, Mexico, the Republic of Korea.

In 2004, the Legislature adopted a B&O tax deduction for the slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle. The deduction is available until Japan, Mexico, and the Republic of Korea lift import bans on beef and beef products from the United States.

Since the original bans were put in place, progress has been made in lifting the bans. In March 2004, Mexico announced that it would allow imports of U.S. beef. Also in October 2004, the Governments of the United States and Japan announced an agreement on beef trade between the two countries. The agreement allows exports to Japan of beef from animals 20 months or younger without 100 percent testing. Both countries must revise their domestic regulations before trade occurs.

Summary of Bill:

The B&O tax deduction for the slaughtering, breaking, processing, and wholesaling of perishable beef products for firms that slaughter cattle ends December 31, 2007.

Appropriation: None.

Fiscal Note: Requested on January 24, 2005.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: About 30 percent of the Wallula plant's receipts are from exports. Last year's bill allowed the plant to keep two shifts on until recently. Last year's bill did not have an expiration date. One should be added.

Testimony Against: None.

Persons Testifying: Mark Triplett, Tyson Fresh Meats.

Persons Signed In To Testify But Not Testifying: None.